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From: Stump-Web
Subject: RE: SCG News-Water Rate Proposed Settlement (GrandInfo)

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2011 DEC -9 P 3:50

From: mitzi.mills@scgcam.com [mailto:mitzi.mills@scgcam.com]

Sent: Friday, December 09, 2011 12:21 AM

To: [REDACTED]

Subject: SCG News-Water Rate Proposed Settlement (GrandInfo)

AZ CORP COMMISSION
DOCKET CONTROL

Arizona-American Water Co.
W-01303A-10-0448

Sun City Grand®

Community Association Management

Arizona Corporation Commission

DOCKETED

DEC - 9 2011

Dear Sun City Grand Community Association Members,

DOCKETED BY

First let me thank all of you who showed up at the Arizona Corporation Commission Hearings and at the Rally at Surprise Stadium. When you initially hear the results of the settlement agreement between Arizona American Water/Epcor and the interveners you make think the effort was in vain, however if you take the time to read the information in its entirety and contemplate the long term benefits of the agreement versus what could have happened you will grasp the importance and influence your presents made.

For those of you who attended the hearings, the following is a repeat of information you already know, however it bears repeating because it was significant in why individual council for the different interveners advised us each to agree to a settlement offer.

1. Only one commissioner (Pierce) thought the public comment day was important enough to show up for. The other four commissioners were not present, so the numerous public comments were only heard by the Administrative Law Judge and Commissioner Pierce. We were told the other commissioners would have the transcripts of the meetings available to read, and they also could watch tapes of the meeting if they wanted to. You know as well as I do that the packed room and emotion of the people who attended are lost in the transcript as well as the video. This was our first clue that this case was not that important to the commissioners and they were going to rely on the advice of the Administrative Law Judge and the Arizona Corporation Commission Staff.
2. When the Arizona Corporation Commission Staff made their recommendation, they lined up almost identical to the proposal submitted by Arizona American Water and Epcor. They were adamant that the White Tank Mountain plant is a viable and useful plant and is needed in order to take customers off of ground water. They emphasized the states requirement to use surface water when ever possible and limit or eliminate the use of ground (well) water. These statements make the plant a necessity and the staff recommended an increase of about 75%.
3. The Administrative Law Judge we have for this case has a known and documented history of never going against a staff recommendation. Since the Arizona Corporation Commission Staff was on record for supporting the request by Arizona American Water, including that the entire White Tank Mountain plant should be in the figures used to determine the raise, we knew that his recommendation would be around a 75% increase.
4. RUCO - Residential Utility Company Advocate Group came in with a recommendation of around a 63% increase. Their recommendation hurt our case primarily because this is the group appointed by the state to protect and "speak" for consumers in all utility rate cases. They are considered experts in figuring out what rates should be and what a fair and equitable rate of return is.
5. We know for a fact the commissioners are "green" when it comes to decision making. This means that the staff position that 100% of the plant should remain in the rate case to preserve the ground water would weigh heavily. We also know that very rarely does the commission take a different view that the administrative law judge, however if they do they tend to reach a decision somewhere between the Administrative Law Judge and Ruco. That being the case the best we could hope for was a 63% increase.
6. The expert witnesses hired by several different interveners agreed with the scenarios listed in numbers 1 through 5 above, and stated that in the cases they had testified in that is how the cases played out. They also said based

on their knowledge and expertise, and based on how rates are figured we should expect the commissioners to vote in an increase in the 65% to 70% range.

7. The attorneys representing the interveners (about 6 of them) all agreed that because of the stance taken early in the hearings by Arizona Corporation Commission staff and by RUCO, we were looking at a battle we probably could not win. All of them stated that they would love to present the material at the hearings but in reality if we could get a settlement better than the 65% we should take it and save hundreds of thousand dollars in attorney fees that this would cost. It is quite eye opening when every attorney in the room is saying that we accept a settlement if we can get below 65%.
8. It is a fact that the final settlement is not what our ultimate goal was, it is much higher. We all fought hard. I want you to know that like you I did not accept this outcome easily. I have put many business and personal hours into this fight. I wanted a big win, I wanted to prevent your water bills from being raised. We did not get a big win, but what we did accomplish was protecting you from additional raises until 2016, spreading the increase over a 3 year period, holding the increase off until July 2012, securing that every Aqua Fria water district user gets a credit for all future water hook ups through 2015 (estimated to be a 2% credit per year in the current economy) and a credit for any new business through 2015.
9. The proposed increase is July 2012, 39% increase, July 2013 9.5% increase, July 2014 9.5% increase, 2015 0% increase, 2016 0% increase.

We know you are not happy with the proposed increase, neither are we. Believe me if we thought we could do any better we would continue the fight, we have done the hard part, the rest was just hearings. However we did not feel it was prudent to risk ending up with at 65% increase (or more) effectively immediately. The monthly expense change you will see is about an \$11.00 to \$13.00 increase in July 2012, your next increase of about \$4.00 will be in July 2013 and then another \$4.00 in July 2014 - this will carry until 2016.

Again ultimately the decision still has to be made by the commissioners, they still have to discuss the issue and vote on it. Your efforts were not in vain. If we had not started this campaign to fight the increase they would have gotten their 83% increase back in July 2011. If you had not written letters, shown up at the meeting and at the Rally the negotiations would have never happened. Once Epcor saw the community come out they wanted this matter settled before they completed the purchase, they were a huge part of the negotiations. Again it is still up to the commissioners, but you have an outline of the proposal. Once the settlement has been reviewed and accepted by all the appropriate parties I can share the exact details with you.

Thank you for your support, your participation and your understanding,

Sincerely,

Mitzi Mills, PCAM, CMCA

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